

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012**

Docket No. N2012-1

**UNITED STATES POSTAL SERVICE NOTICE OF FILING ERRATA TO DIRECT
TESTIMONY OF WITNESS BRADLEY (USPS-T-10)**
(March 21, 2012)

The Postal Service hereby provides notice of minor revisions to the testimony of witness Michael D. Bradley (USPS-T-10) filed on December 5, 2011. These revisions follow from revisions previously filed on behalf of witnesses Cheryl D. Martin (USPS-T-6) and Marc A. Smith (USPS-T-9).

The changes are listed below:

<u>Page</u>	<u>Line</u>	<u>Change</u>
31	16	24.7 to 24.4
33	2	193 to 190.4
33	Table 12	27.4 to 24.4
33	Table 12	\$129,607,988 to \$127,929,536
33	Table 12	\$41,823,497 to \$41,281,873
33	Table 12	\$21,504,689 to \$21,226,199
33	Table 12	\$192,936,174 to \$190,437,608
41	Table 16	\$192.9 to \$190.4
41	Table 16	\$270.6 to \$268.1
41	Table 16	\$231.5 to \$229.7
41	Table 16	\$374.8 to \$373.0

41	Table 16	\$379.9 to \$372.7
41	Table 16	\$82.0 to \$81.9
41	Table 16	\$461.9 to \$454.7
41	Table 16	\$2,574.0 to \$2,562.5

In addition, cell B18 in the spreadsheet entitled "HCR.Highway.Savings.xls" in USPS Library Reference N2012-1/22 should be changed from 24.71% to 24.39%. The three revised pages of witness Bradley's testimony and the revised spreadsheet are attached to this notice, with revisions shown in gray highlighted text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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March 21, 2012

1 that moves mail among the post offices and other local facilities within each
 2 plant's service area.²⁸ The former part of the network has sometimes been
 3 referred to as the "Inter-SCF" network and the latter part has sometimes been
 4 referred to as the "Intra-SCF" network.²⁹ Note that transportation involving NDCs
 5 will not be affected and the "Inter-BMC" and "Intra-BMC" portions of the
 6 transportation network will not be included in this analysis.

7
 8 1. Cost Changes in the Plant-to-Plant Highway Network

9 Witness Martin has analyzed the impact of the change in service
 10 standards in the plant-to-plant portion of the HCR network and has determined
 11 that the longer operating windows and reduction in mail processing facilities will
 12 have an impact on plant-to-plant transportation.³⁰ These two changes will allow
 13 the Postal Service to more efficiently utilize its transportation and thus carry the
 14 same amount of mail with less capacity. Witness Martin estimates that through
 15 better utilization, the Postal Service will be able to reduce its capacity in the
 16 plant-to-plant portion of the network by 24.4 percent and still transport the same
 17 volume of mail.³¹

²⁸ See, "Direct Testimony Cheryl D. Martin on Behalf of the United States Postal Service," Docket No. N2012-1, USPS-T-6, at Section II.

²⁹ The "Inter-SCF" portion of the network is actually made of three types of highway transportation accounts: Inter-Area transportation, Inter-Cluster transportation, and Inter P&DC transportation. The "Intra-SCF" portion of the network is covered by the Intra P&DC account.

³⁰ See, "Direct Testimony Cheryl D. Martin on Behalf of the United States Postal Service," Docket No. N2012-1, USPS-T-6, at Section II A.

³¹ Id.

and cost savings for each of those three accounts. Taken together, they provide a total cost savings for the plant-to-plant portion of the network of \$190.4 million.

Table 12

Calculation of Cost Savings in Plant to Plant Portion of HCR Transportation

Contract Type	FY10 Accrued Cost	Capacity Reduction	Capacity Variability	Savings
INTER AREA	\$574,497,637	24.4%	91.3%	\$127,929,536
INTER CLUSTER	\$187,231,606	24.4%	90.4%	\$41,281,873
INTER P&DC	\$103,481,909	24.4%	84.1%	\$21,226,199
TOTAL	\$865,211,153			\$190,437,608

Source: Library Reference USPS-LR-N2012-1/22

2. Cost Changes in the Plant-to-Post Office Highway Network

There are two potential cost changes in the plant-to-post office network, a change in the amount of capacity required to transport the mail and a conversion of Postal Vehicle Service sites to highway contract sites. Both of these changes are discussed in this section of my testimony.

Network transportation using Postal Service vehicles and employees is called Postal Vehicle Service (PVS). The Postal Service employees who drive the vehicles are called Vehicle Service Drivers (VSD). As a result, this part of the transportation network is sometimes call "PVS" transportation and sometimes called "VSD" transportation.

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Table 16
Cost Savings Flowing from by the Proposed Service Standard
Change (In millions of dollars)

Mail Processing Labor Cost Changes	
Workload Transfer	\$82.6
Productivity Gains	\$964.2
Premium Pay Reductions	\$71.8
Supervision and Plant Management Reductions	\$84.5
In Plant Support Reductions	\$48.7
Indirect Cost Reductions	\$140.8
Subtotal	\$1,392.5
Transportation Cost Changes	
Air Transportation Additions	-\$124.9
Plant-to-Plant HCR Network Restructuring	\$190.4
PVS to HCR Conversions	\$101.8
Plant-to-PO Network Restructuring	\$100.7
Subtotal	\$268.1
Facility Related Costs Changes	
Building Maintenance and Custodial Labor	\$229.7
Utilities	\$74.4
Supplies and Contractor Costs	\$19.4
Rents or Rental Opportunity Costs	\$49.5
Subtotal	\$373.0
Mail Processing Equipment Cost Changes	
Maintenance Labor	\$372.7
Parts and Supplies	\$81.9
Subtotal	\$454.7
Work Load Reduction Cost Changes	
Reduction in Outgoing Secondary Sorting	\$22.8
Replacement of CSBCS and USFM10000	\$15.4
Additional DPS Sorting	\$36.0
Subtotal	\$74.2
Total	\$2,562.5

Revised March 21, 2012